

South Summit Fire Protection District
Oakley, Utah

Financial Statements

For the Year Ended December 31, 2005

Ulrich & Associates, PC
Certified Public Accountants
Ogden, Utah

South Summit Fire Protection District

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Ulrich & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
South Summit Fire Protection District
Oakley, Utah

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Summit Fire Protection District as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Summit Fire Protection District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Summit Fire Protection District as of December 31, 2005, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2006 on our consideration of South Summit Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on the pages following this report, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ulrich & Associates, P.C.

March 19, 2006

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South Summit Fire Protection District

Management's Discussion and Analysis

December 31, 2005

As management of the South Summit Fire Protection District, we offer readers of the South Summit Fire Protection District's financial statements this narrative overview and analysis of the financial activities of the South Summit Fire Protection District for the fiscal year ended December 31, 2005.

Financial Highlights

Total net assets of \$997,548 is made up of \$826,179 in capital assets less related debt of \$187,380, and other net assets of \$358,749. All of the net asset amount is unrestricted.

Total long-term liabilities of the District were reduced by \$65,035.

Reporting the District as a Whole

This discussion and analysis is intended to serve as an introduction to the South Summit Fire Protection District's basic financial statements. The South Summit Fire Protection District's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also include other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the South Summit Fire Protection District's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of South Summit Fire Protection District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the South Summit Fire Protection District is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the District's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements distinguish functions of the South Summit Fire Protection District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities, although the District has no business-type activities).

South Summit Fire Protection District

Management's Discussion and Analysis

December 31, 2005

The government-wide financial statements can be found on the pages following the management discussion and analysis.

Reporting the District's Most Significant Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The South Summit Fire Protection District also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

For South Summit Fire Protection District, the only major governmental fund (as determined by generally accepted accounting principles) is the general fund. However, management has chosen to reflect the capital projects fund as a major fund for reporting purposes.

Proprietary funds - The South Summit Fire Protection District has no proprietary funds.

South Summit Fire Protection District

Management's Discussion and Analysis

December 31, 2005

Government-wide Financial Analysis

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the South Summit Fire Protection District, assets exceeded liabilities by \$997,548, an increase of \$54,993 over the prior year. This increase was in part due to additional fire equipment, purchased with grant monies. By far, the largest portion of the South Summit Fire Protection District's net assets is its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, etc). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets

	<u>Governmental Activities</u>	
	2005	2004
Current and other assets	\$ 374,117	313,593
Capital assets	826,179	887,636
Total assets	1,200,296	1,201,229
Long-term debt outstanding	187,380	252,415
Other liabilities	15,368	6,259
Total liabilities	202,748	258,674
Net Assets:		
Invested in capital assets, net of debt	668,799	665,221
Unrestricted	328,749	277,334
Total net assets	\$ 997,548	942,555

South Summit Fire Protection District

Management's Discussion and Analysis

December 31, 2005

Changes in Net Assets

	Governmental Activities 2005
Revenues:	
Property taxes	\$ 220,627
Grants	34,444
Other income	11,377
Interest income	5,582
Total revenues	<u>272,030</u>
Expenses:	
Administration	29,528
Professional services	9,889
Personnel costs	30,601
Operation, maintenance, and capital outlay	<u>138,292</u>
Total expenses	208,310
Interest expense	(8,727)
Increase (decrease) in net assets	<u>54,993</u>
Net assets, beginning of year	<u>942,555</u>
Net assets, end of year	<u>\$ 997,548</u>

Financial Analysis of Government Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of December 31, 2005, the District's general fund reported a fund balance of \$184,291. This represents an increase of \$96,096 (109%) over last year's ending balance. This increase was due to fewer expenditures than revenue. Furthermore, the increase in the general fund is after a transfer of \$88,000 was made to the capital projects fund for future projects. Anticipated projects for capital project funds include a new or upgraded Kamas station and new Oakley station apparatus.

The general fund is the chief operating fund of the District. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

South Summit Fire Protection District

Management's Discussion and Analysis

December 31, 2005

Property taxes continue to be the largest source of revenue in the general fund and represents 81% of total general fund revenues. Taxes are followed by grant income, which represents 12% of total revenue. Current year grant income is lower than last year, however the District expects this revenue source to fluctuate from year to year depending on the grants that are available and what is awarded to the District.

Significant changes in the governmental funds include an overall decrease in revenues of \$75,940 which was due to a large decrease in grant awards. There was, however, a small increase in other income related to the initiation of the District performing fire inspections for which a small fee is collected. The District does plan to continue performing these inspections. Although a decrease in current year expenditures was due mainly to the decreased grant award and therefore grant purchases, debt expenditures increased slightly in the current year since the District is starting to make additional principal payments on the Fire Truck lease. Additionally, 2006 is the final year that a \$30,000 payment needs to be made on the Kamas property which will leave additional funding for capital projects or further decreasing of current debt. No new debt was entered into in the current year.

General Fund Budgetary Highlights

During the fiscal year the original general fund budget was amended from an expenditure total of \$94,820 to a final budget expenditure total of \$104,100 (10%). The increases were made in anticipation of additional expenditures, especially the additional principal paid on debt outstanding.

Capital Asset and Debt Administration

Capital assets - The District invested \$36,135 in capital assets for its governmental activities as of December 31, 2005, however, the total decrease in the District's investment in fixed assets for the current year was \$61,457. The decrease is due to the depreciation expense exceeding new purchases.

Major capital asset events during the current fiscal year included the following:

- \$34,000 for a new fill station.

- \$2,135 for dual channel pagers.

South Summit Fire Protection District

Management's Discussion and Analysis

December 31, 2005

South Summit Fire Protection District's Capital Assets

	Governmental Activities 2005
Land	\$ 177,000
Water rights	1,000
Buildings and improvements	802,890
Machinery and equipment	1,077,964
Less: Accumulated depreciation	(1,232,675)
Total capital assets	<u>\$ 826,179</u>

Additional information on the District's capital assets can be found in the footnotes of this report.

Long-term Debt

At December 31, 2005, the District had no bonded debt outstanding.

South Summit Fire Protection District's Long-term Debt

	Governmental Activities 2005
Capital lease payable	\$ 157,380
Notes payable	30,000
Total debt	<u>\$ 187,380</u>

The District's total debt decreased by \$65,035 during the fiscal year.

Additional information on the outstanding debt obligations of the District can be found in the footnotes to this report.

BASIC FINANCIAL STATEMENTS

South Summit Fire Protection District
Statement of Net Assets
December 31, 2005

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 156,879
Prepaid expense	5,646
Receivables - net	
Property taxes	205,667
Grants	5,925
Capital assets (net of accumulated depreciation)	
Land	177,000
Water rights	1,000
Buildings and improvements	372,697
Machinery and equipment	275,482
Total assets	<u>1,200,296</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	14,691
Accrued interest payable	677
Capital lease payable - current	24,101
Notes payable - current	30,000
Capital lease payable- noncurrent	133,279
Notes payable - noncurrent	-
Total liabilities	<u>202,748</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	668,799
Unrestricted	328,749
Total net assets	<u>\$ 997,548</u>

The notes to the financial statements are an integral part of this statement.

South Summit Fire Protection District

Statement of Activities

For the Year Ended December 31, 2005

Function/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Governmental Activities	Total
			Grants and Contributions	Capital Grants and Contributions		
Primary government						
Governmental activities						
Administrative	\$ 29,528	-	-	-	(29,528)	(29,528)
Professional services	9,889	-	-	-	(9,889)	(9,889)
Personnel costs	30,601	-	-	-	(30,601)	(30,601)
Operation, maintenance, and capital outlay	138,292	-	-	34,444	(103,848)	(103,848)
Interest on long-term debt	8,727	-	-	-	(8,727)	(8,727)
Total primary government	217,037	-	-	34,444	(182,593)	(182,593)
General revenues						
Property taxes					220,627	220,627
Other income					11,377	11,377
Interest earnings					5,582	5,582
Total general revenues					237,586	237,586
Change in net assets					54,993	54,993
Net assets - beginning					942,555	942,555
Net assets - ending					\$ 997,548	997,548

The notes to the financial statements are an integral part of this statement.

South Summit Fire Protection District

Balance Sheet

Governmental Funds

For the Year Ended December 31, 2005

	General Fund	Capital Projects	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 1,337	155,542	156,879
Prepaid expenses	5,646	-	5,646
Receivables (net)			
Property taxes	205,667	-	205,667
Other	5,925	-	5,925
Due from other funds	-	10,000	10,000
Total assets	<u>218,575</u>	<u>165,542</u>	<u>384,117</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	7,375	7,316	14,691
Deferred revenue	16,909	-	16,909
Due to other funds	10,000	-	10,000
Total liabilities	<u>34,284</u>	<u>7,316</u>	<u>41,600</u>
Fund Balances			
Unreserved, reported in			
General fund	184,291	-	184,291
Capital projects fund	-	158,226	158,226
Total fund balances	<u>184,291</u>	<u>158,226</u>	<u>342,517</u>
Total liabilities and fund balances	<u>\$ 218,575</u>	<u>165,542</u>	<u>384,117</u>

The notes to the financial statements are an integral part of this statement.

South Summit Fire Protection District
Balance Sheet Reconciliation to Statement of Net Assets
December 31, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types	\$ 342,517
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,022,719 and the accumulated depreciation is \$1,135,083.	826,179
Property tax revenue is recognized when earned (claim to resources established) rather than when "available." Deferred property tax revenue is not available.	16,909
Long-term liabilities, including notes and lease payable, is not due and payable in the current period and therefore is not reported in the funds.	<u>(188,057)</u>
Net assets of government activities	<u><u>\$ 997,548</u></u>

The notes to the financial statements are an integral part of this statement.

South Summit Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General Fund	Capital Projects	Total Governmental Funds
<u>Revenues</u>			
Property taxes	\$ 184,387	-	184,387
Fee in lieu	23,719	-	23,719
Prior year taxes	17,001	-	17,001
Other income	11,377	-	11,377
Grant income	34,444	-	34,444
Interest	5,582	-	5,582
Total revenues	<u>276,510</u>	<u>-</u>	<u>276,510</u>
<u>Expenditures</u>			
Current			
Administrative	29,528	-	29,528
Professional services	9,889	-	9,889
Personnel costs	30,601	-	30,601
Operation, maintenance, and capital outlay	22,396	54,439	76,835
Debt service	-	73,853	73,853
Total expenditures	<u>92,414</u>	<u>128,292</u>	<u>220,706</u>
Excess revenues over (under) expenditures	<u>184,096</u>	<u>(128,292)</u>	<u>55,804</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	88,000	88,000
Transfers (out)	(88,000)	-	(88,000)
Total other financing sources and uses	<u>(88,000)</u>	<u>88,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	96,096	(40,292)	55,804
Fund balance - beginning of year	88,195	198,518	286,713
Fund balance - end of year	<u>\$ 184,291</u>	<u>158,226</u>	<u>342,517</u>

The notes to the financial statements are an integral part of this statement.

South Summit Fire Protection District
Statement of Changes Reconciliation to Statement of Activities
For the Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 55,804
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 36,135	
Depreciation	<u>(97,592)</u>	(61,457)

The governmental funds report repayment of note and lease principal as an expenditure. In the statement of activities it is a reduction of the lease payable.	65,035
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Deferred revenue	(4,480)	
Accrued interest	<u>91</u>	<u>(4,389)</u>

Change in net assets of governmental activities	<u><u>\$ 54,993</u></u>
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The notes to the financial statements are an integral part of this statement.

South Summit Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 184,000	184,000	184,387	387
Fee in lieu	25,000	25,000	23,719	(1,281)
Prior year taxes	23,000	23,000	17,001	(5,999)
Grants	-	50,000	34,444	(15,556)
Other income	1,000	12,000	11,377	(623)
Interest	6,500	6,600	5,582	(1,018)
Total revenues	<u>239,500</u>	<u>300,600</u>	<u>276,510</u>	<u>(24,090)</u>
<u>Expenditures</u>				
Current				
Administrative	29,600	31,100	29,528	1,572
Professional services	10,000	13,000	9,889	3,111
Personnel costs	25,920	32,500	30,601	1,899
Operation, maintenance, and capital outlay	29,300	27,500	22,396	5,104
Total expenditures	<u>94,820</u>	<u>104,100</u>	<u>92,414</u>	<u>11,686</u>
Excess revenues over (under) expenditures	<u>144,680</u>	<u>196,500</u>	<u>184,096</u>	<u>(12,404)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Transfers (out)	(144,680)	(196,500)	(88,000)	108,500
Total other financing sources and uses	<u>(144,680)</u>	<u>(196,500)</u>	<u>(88,000)</u>	<u>108,500</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	-	96,096	96,096
Fund balance - beginning of year	88,195	88,195	88,195	-
Fund balance - end of year	<u>\$ 88,195</u>	<u>88,195</u>	<u>184,291</u>	<u>96,096</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

South Summit Fire Protection District

Notes to Financial Statements

December 31, 2005

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The District is a special service district governed by an elected board of commissioners, consisting of one chairman and two board members. As required by generally accepted accounting principles, these financial statements are required to present the District and its component units. Component units are entities for which the District would be considered to be financially accountable. The District has no component units to consider for inclusion in the financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, when business-type activities exist.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

South Summit Fire Protection District
Notes to Financial Statements-Continued
December 31, 2005

Note 1 - Summary of Significant Accounting Policies - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects* fund is used to account for the accumulation of revenues and the purchase or construction of capital assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has no proprietary funds to report.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

South Summit Fire Protection District
Notes to Financial Statements-Continued
December 31, 2005

Note 1 - Summary of Significant Accounting Policies - continued

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

1. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the District, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.

Property taxes are collected by the County Treasurer and remitted to the District shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

3. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activity column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

South Summit Fire Protection District
Notes to Financial Statements-Continued
December 31, 2005

Note 1 - Summary of Significant Accounting Policies - continued

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
Equipment	7
Vehicles	5

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by the South Summit Fire Protection District's Board on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and capital projects funds. Tentative budgets must be adopted on or before December 28th for the following fiscal year, beginning January 1. Budgets may be increased by resolution of the District Board at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund and function. The Board may make transfers of appropriations within a fund. The legal level of budgetary control is the function level. Appropriations lapse at December 31. During the year, supplemental appropriations were made increasing General Fund expenditures by \$9,280.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 100% of current year property tax, or 25% of total general fund revenue if annual general fund budget is greater than \$100,000. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the District has one year to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

South Summit Fire Protection District
Notes to Financial Statements-Continued
December 31, 2005

Note 3 - Detailed Notes on all Funds

Deposits and investments

The District maintains cash accounts with local institutions only. The District has no other investments.

Utah State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of December 31, 2005, the District had the following deposits and investments:

	<u>Fair Value</u>
Cash on deposit	<u>\$192,969</u>

Custodial credit risk - Deposits . In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2005, \$92,969 of the \$192,969 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Captions on the statement of net assets related to cash and investments are as follows:

Cash and cash equivalents	\$156,879
Restricted assets:	
Cash and cash equivalents	<u>-</u>
Total cash	<u>\$156,879</u>

South Summit Fire Protection District
Notes to Financial Statements-Continued
December 31, 2005

Note 3 - Detailed Notes on all Funds - continued

Capital assets

Capital asset activity for the year ended December 31, 2005 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 177,000	-	-	\$ 177,000
Water rights	\$ 1,000	-	-	1,000
Total capital assets not being depreciated	178,000	-	-	178,000
Capital assets being depreciated:				
Buildings and improvements	802,890	-	-	802,890
Machinery and equipment	1,041,829	36,135	-	1,077,964
Total capital assets being depreciated	1,844,719	-	-	1,880,854
Less accumulated depreciation for:				
Buildings and improvements	412,948	17,245	-	430,193
Machinery and equipment	722,135	80,347	-	802,482
Total accumulated depreciation	1,135,083	97,592	-	1,232,675
Total capital assets, being depreciated, net	709,636	(97,592)	-	648,179
Governmental activities capital assets, net	\$ 887,636	(97,592)	-	\$ 826,179

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

Buildings	17,245
Operations and maintenance	80,347
	<u>97,592</u>

South Summit Fire Protection District
Notes to Financial Statements-Continued
December 31, 2005

Note 3 - Detailed Notes on all Funds - continued

Interfund transfers

<u>Transfers out</u>	<u>Transfers in</u>	
	<u>General fund</u>	<u>Capital projects fund</u>
General fund	-	88,000
Capital projects	-	-
Total transfer in	-	88,000

The \$88,000 transfer from the general fund to the capital projects fund adds to monies being accumulated in capital projects for upgrading or constructing a new fire station in Kamas and/or to purchase new apparatus for the Oakley fire station.

Capital leases

The District has entered into a lease agreement as lessee for financing the acquisition of a fire truck in governmental activities. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental</u>
Fire truck	<u>\$157,380</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005 were as follows:

<u>Year ending December 31:</u>	<u>Governmental</u>
2006	\$ 31,804
2007	31,804
2008	31,804
2009	31,804
2010	31,804
2011-2012	<u>26,023</u>
	185,041
Less: Amounts representing interest	<u>(27,661)</u>
Present value of minimum lease payments	<u>\$157,380</u>

South Summit Fire Protection District

Notes to Financial Statements-Continued

December 31, 2005

Note 3 - Detailed Notes on all Funds - continued

Long-term debt

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Capital lease payable	\$ 192,415	-	(35,035)	157,380	\$ 24,101
Notes payable	\$ 60,000	-	(30,000)	30,000	\$ 30,000
Total governmental activities					
long-term liabilities	\$ 252,415	-	(65,035)	187,380	\$ 54,101

Notes payable

The District has signed a note payable with the Kamas City Corporation for the purchase of property. The note was for \$150,000 with annual payments of \$30,000, due in 2006. The outstanding balance on the note at December 31, 2005 is as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Note payable	0.00%	\$ 30,000

Notes payable debt service requirements to maturity are as follows:

<u>For the year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	30,000	-
Total	\$ 30,000	-

Note 4 - Other information

Pension Plan Obligations

The District does not have any employees that qualify for Utah State or any other retirement program. All services are provided on a volunteer basis.

Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government

Contingent Liabilities

The District had no contingent liabilities as of December 31, 2005.

SUPPLEMENTARY INFORMATION

South Summit Fire Protection District
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
Capital Projects
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Interest	\$ 1,200	-	-	-
Total revenues	1,200	-	-	-
<u>Expenditures</u>				
Current				
Operations, maintenance, and capital outlay	75,880	102,500	54,439	48,061
Debt service	70,000	94,000	73,853	20,147
Total expenditures	145,880	196,500	128,292	68,208
Excess revenues over (under)				
expenditures	(144,680)	(196,500)	(128,292)	68,208
<u>Other Financing Sources (Uses)</u>				
Transfers in	144,680	196,500	88,000	(108,500)
Transfers (out)	-	-	-	-
Total other financing sources and uses	144,680	196,500	88,000	(108,500)
Excess of revenues and other sources				
over (under) expenditures and other uses	-	-	(40,292)	(40,292)
Fund balance - beginning of year	198,518	198,518	198,518	-
Fund balance - end of year	\$ 198,518	198,518	158,226	(40,292)

The notes to the financial statements are an integral part of this statement.

OTHER REPORTS

Ulrich & Associates, PC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
South Summit Fire Protection District
Oakley, Utah

We have audited the governmental activities, each major fund, and the aggregate remaining fund information of South Summit Fire Protection District as of and for the year ended December 31, 2005, which collectively comprise the South Summit Fire Protection District's basic financial statements and have issued our report thereon dated March 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Summit Fire Protection District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Summit Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we have reported to management of South Summit Fire Protection Fire District, in a separate letter dated March 19, 2006.

Members of Utah Association of CPAs | American Institute of CPAs

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Cathie Hurst, CPA | Heather Christopherson, CPA
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email/ ulrichc@ulrichcpa.com

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ulrich & Associates, P.C.

March 19, 2006

Ulrich & Associates, PC

Certified Public Accountants

STATE LEGAL COMPLIANCE REPORT

The Board of Commissioners
South Summit Fire Protection District
Oakley, Utah

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Summit Fire Protection District as of and for the year ended December 31, 2005, and have issued our report thereon dated March 19, 2006. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax Limitations
- Special Districts
- Other Compliance Requirements

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of the South Summit Fire Protection District, is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

Members of Utah Association of CPAs | American Institute of CPAs

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In our opinion, the South Summit Fire Protection District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Ulrich & Associates, P.C.

March 19, 2006

Ulrich & Associates, PC

Certified Public Accountants

March 19, 2006

Kent Leavitt and the Commissioners of
South Summit Fire Protection District
PO Box 660
Oakley, Utah 84055

Dear Kent Leavitt:

We have appreciated the opportunity to audit the financial records of the Fire District for the year ended December 31, 2005. We especially appreciate Marla and her help in gathering and providing documentation, answering questions, and her diligence in record keeping.

Audits, by their nature, tend to draw attention to certain problems and areas of concern. It is part of the responsibility of the auditors to communicate such matters when they are discovered. The matters noted below are not considered to be significant and are therefore communicated in this management letter for purposes of internal use only.

Grant Income

As has been report for the last couple of years, grant income was budgeted for in the general fund. Because these funds relate to capital type acquisitions, we continue to recommend that they be budgeted for in the capital projects fund.

Capital Projects

The general fund, fund balance is at its legal limit and continues to maintain a substantial balance. Although the fund balance in the capital projects fund is also substantial, it decreased slightly in the current year due to a smaller transfer than budgeted. Transfers from the general fund into the capital projects fund are permitted when the District has a planned project or specified future use of these funds. Although the District has an idea of what the money is being accumulated for, we recommend that the District maintain and update a written capital projects plan to justify the accumulation of reserve in the capital projects fund.

Fixed Assets

Although the District rarely disposes of any fixed assets since they are passed between the different stations held by the District, it is still important to complete and maintain a current listing of all fixed assets at each location. By taking an inventory of all assets and tracking additions and deletions each year the District can have more effective controls

over the fixed assets. It is also important for every entity to maintain a listing of what they own. We recommend that the District create an inventory listing of all fixed assets.

Additionally, we continue to encourage compliance with the 3 day requirement to deposit monies received by the District, and also the Commissioner's review of all documentation for checks written, along with their manual signature to show authorization. We noted intent to develop a policy and procedures manual in the minutes and also encourage a continued plan to get this completed.

Once again we have enjoyed working with you, and would be happy to respond to any questions or concerns you may have.

Sincerely,

Ulrich & Associates, PC



Cathie Hurst, CPA

South Summit Fire Protection District

4987 North SR 32

P.O. Box 660

Oakley, Utah 84055



September 15, 2006

State of Utah
Office of the State Auditor
%MacRay A. Curtis, CPA
Director, Local Government Division
P.O. Box 142310
Salt Lake City, Utah 84114-2310

Dear Mr. Curtis,

I offer my apology for my neglect in sending, The Report on State Legal Compliance.

Grant Income

The South Summit Fire Protection District will rectify the General Grant Fund monies for 2006 when we hold our budget amendment and 2007 budget hearing on December 19, 2006. At this time we will move the Grant General Fund monies to a Grant Capitol Projects fund and continue to budget all grant monies in this capacity.

Capital Projects

The South Summit Fire District has accumulated and increased money in capital projects for our plans to purchase a Chiefs Truck and also to purchase a new Fire Truck (1500 a gallon pump Urban Interface Pumper, 5 passengers).

Fixed Assets

The South Summit Fire District is in the process of implementing an inventory list as recommended of all fixed assets.

The South Summit Fire District continues to comply with the 3 day check deposit. We continue to have a monthly finance review by the Fire Commission and checks are signed personally by two Commissioners.

The South Summit Fire District has plans to complete a Policy and Procedures Manual in early 2007.

Sincerely,

Kent Leavitt

Kent Leavitt, Chairman
South Summit Fire Protection District